

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF)
RATE AND CHARGES OF SOUTH)
CENTRAL RURAL TELEPHONE)
COOPERATIVE CORPORATION,)
INC., TO BE EFFECTIVE)
FEBRUARY 1, 1982)
AND)
APPLICATION OF SCRTC, INC.)
FOR ORDER PERMITTING)
ADJUSTMENT OF RATES)

CASE NO. 8433

O R D E R

On July 1, 1982, the Commission issued its Order in this matter granting South Central Rural Telephone Cooperative Corporation, Inc., ("South Central") approval to sell customer premises equipment ("CPE") on a trial basis for a 6-month period to afford South Central the opportunity to show that CPE sales to non-cooperative subscribers have not resulted in losses requiring subsidies to non-subscribers. In addition, South Central was given a period of 4 months to develop specific accounting and cost allocation procedures associated with the sales of CPE.

On November 1, 1982, South Central filed a motion wherein it requested a 4-month extension of the time period in which it was ordered to file its proposed accounting and cost

allocation procedures and an additional 6 months to sell CPE on a trial basis to show that such sales would result in a profit to South Central.

Pursuant to orders of the Federal Communications Commission ("FCC") in Docket CC 20828, Second Computer Inquiry, ("Computer II") this Commission will no longer have jurisdiction over sales of CPE purchased after January 1, 1983. Sales of CPE in service or in inventory prior to January 1, 1983, ("embedded CPE") will remain under the Commission's regulatory purview. On November 24, 1982, the Commission issued an Order in Administrative Case No. 257 setting out its required procedure for telephone utilities to follow in detariffing sales of CPE.

In its Order of July 1, 1982, in this case the Commission took the position that the sale of CPE by South Central to non-members should result in a profit in order to avoid the underwriting of such sales by South Central's members. The Attorney General's Division of Consumer Protection urged the Commission to disallow the sale of CPE to non-members on the grounds that services of the cooperative should be available only to its members.

As a result of the FCC Orders in the Computer II case, this Commission will have no authority to disallow the sale of CPE acquired after January 1, 1983. However, the Commission will have full jurisdiction over sales of embedded CPE and must approve rates for such sales.

South Central does not have an approved tariff on file with this Commission for the sale of CPE. The current tariff sets out certain terms and conditions of such sales but does not set out specific prices or a range of prices. At January 1, 1983, all embedded CPE will be frozen and any sales of this CPE will be under tariff rates approved by this Commission. Therefore, unless South Central has a tariff approved by this Commission setting out the rates for sale of embedded CPE, all sales under the trial period must cease. Sales of new CPE may continue under the provisions of the FCC Order and the Commission's Order in Administrative Case No. 257.

In the spirit of its intent in the original Order in this case the Commission will approve a tariff for sale of embedded CPE upon a showing that the rates established for these sales will result in a profit to South Central.

SUMMARY

The Commission is of the opinion and finds that:

(1) The provision of the Order of July 1, 1982, allowing South Central until November 1, 1982, to establish the accounting and cost allocation procedure for the sale of CPE should be modified to allow at a maximum until January 31, 1983.

(2) South Central should file within 10 days from the receipt of this Order a revised tariff setting out the terms, conditions and rates for the sale of CPE. After December 31, 1982, the sale of embedded CPE will continue to be made under

this tariff while the sale of new CPE will be made on a de-tariffed basis.

(3) South Central should discontinue the practice of selling embedded CPE if a tariff setting out the rates for such sales has been approved by this Commission by January 1, 1983,

(4) The provision of the July 1, 1982, Order establishing a 6-month trial period for the sale of CPE is immaterial at this point and should be rescinded,

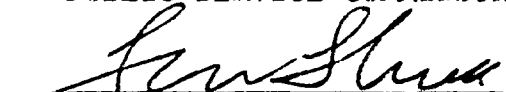
IT IS THEREFORE ORDERED that South Central shall be allowed until January 31, 1983, to establish the accounting cost allocation procedure for the sale of CPE.

IT IS FURTHER ORDERED that South Central shall discontinue the practice of selling embedded CPE after January 1, 1983, until a tariff has been approved by this Commission setting out the rates for such sales.

IT IS FURTHER ORDERED that the provision of the July 1, 1982, Order establishing a 6-month trial period for the sale of CPE is hereby rescinded.

Done at Frankfort, Kentucky, this 10th day of December, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary